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Onion Market Brief - ATO Seoul

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Product Brief

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Report Highlights:

Onion imports depend on local production. 2008 was a bumper crop year with 1.035 MT produced in Korea. Total local onion consumption in Korea was about 1.071 million MT through the year with steady monthly demand in 2008. There was little U.S. import due to a price competition with China in 2008. However, one major onion importer expects there will be a good export market opportunity for U.S. onions to Korea in the early season of 2010 while China will have little to export.

General Information:

SECTION I: MARKET OVERVIEW

South Korea was the fifth largest economy in Asia and the 14th largest economy in the world in 2008 with a GDP of \$1.34 trillion and per capita GDP of \$27,600. South Korea has a population of about 50 million and is roughly the size of the state of Indiana.

Korea imported a total of 35,900 Metric Tons (MT) of fresh onions worth \$9.22 million in 2008. China was the dominating exporting country with 35,844 MT worth \$9.19 million in 2008. Imports of onions increased by 32 percent in volume from 27,300 MT to 35,900 MT and increased by 1.5 percent in value from \$9.1 million to \$9.2 million compared to 2007. Total local onion consumption was about 1.071 million MT throughout the year with steady monthly demand in 2008.

There were few U.S. onion imports due to price competition from China in 2008. In 2009, 21,600 MT were imported during the first 8 months; 20,600 MT from China and 1,000 MT from U.S.

ADVANTAGES	DISADVANTAGES
Local onion market is always demanding	There is often a ready local supply of onions.
Dried onion is demanded for Ramen market.	The exchange rate of local currency is not stable.
The KORUS FTA will make U.S. onions more competitive.	Out of quota tariffs for fresh onions are high.
Onion is perceived as a healthy food, especially for adult and heart diseases.	U.S. onions are not price competitive with Chinese onions, and Korean consumers prefer the mild-hot taste of Chinese onions.

SECTION II: MARKET SECTOR OPPORTUNITIES AND THREATS

With the onion market liberalization in 1995, Korea is obligated to import onions for the Minimum Market Access (MMA) quota under the Uruguay Round formula. In 1995, the first year of the Korea's onion import obligation, Korea purchased 7,483 MT of fresh onion via Korea Agro-Fisheries trade Corporation.

Korea Agro-Fisheries Trade Corporation (namely aT Center), a quasi-government corporation, was authorized oversight control on MMA quota onions by the Ministry of Food, Agriculture, Forestry & Fisheries (MIFAFF) which is the exclusive importer of in quota onions, and holds irregularly-timed tenders. The in-quota tariff rate is 50 percent and 135 percent tariff rate for out-of quota onion. Onions are freely importable at the out-of tariff rate, though the current rate is prohibitively high.

According to market sources, there will be a need of 3,000 - 4,000 MT for early season imports in 2010 which will be a market potential for U.S. onion to Korea. Tenders are expected to take place early next year when domestic supplies are consumed and Chinese onion is little to export. Tenders will provide improved opportunities for U.S. onion since int's quality is not as competitive as other major importers—namely China.

Entry Strategy

U.S. onions are competitive in the fact that they have hardier skin and are easier to store than Chinese onions, but Chinese onions are more price competitive. There were few onion imports from the U.S. in 2008. In 2007, the CIF price of imported U.S. onion was almost double the price of Chinese. Onion cost per kilogram on CIF from China was \$0.322 while from the U.S. it was \$0.624. All the MMA shipment is mandatorily required by an aT Center to ship by reefer not by dry container for safety. In 2003 and 2004, there were more imports from the U.S. than from China because Chinese onion quality was very low compared to the U.S.'s.

Generally, onions can be stored for 6 – 8 months in chilled storage. The Korean main onion harvesting season is during March – May and a little in October. The short supply season of the local onion market is from December through March while Chinese supply is demanded. Private importers dealing with out of quota onions can use dry containers in order to reduce cost.

Raw onion is a common side dish for fresh salads and meat menus, especially Bulgogi, Kalbi and grilled beef or pork in Korean restaurants and is always served as a side dish in Chinese restaurants where people prefer mild-hot to strong-hot onions. An industry resource informed that the taste of Chinese onion is milder than U.S. onions currently. Most Korean markets used to sell onions by different sizes of bags instead of weighing on a scale. Chinese exporters supply different sizes of bags upon an importer's order.

One of the best ways to enter into the Korean market is to contact potential importers directly by introducing the exporting company and its products through e-mails and/or fax to explore possible market opportunities in Korea. If U.S. exporters do not have lists of potential importers, they can contact ATO Seoul to obtain them.

Market Size, Structure, Trends

Onion consumption is about 1-1.2 million MT throughout the year with steady monthly demand in Korea. However, there is often a short supply during the months of December through March.

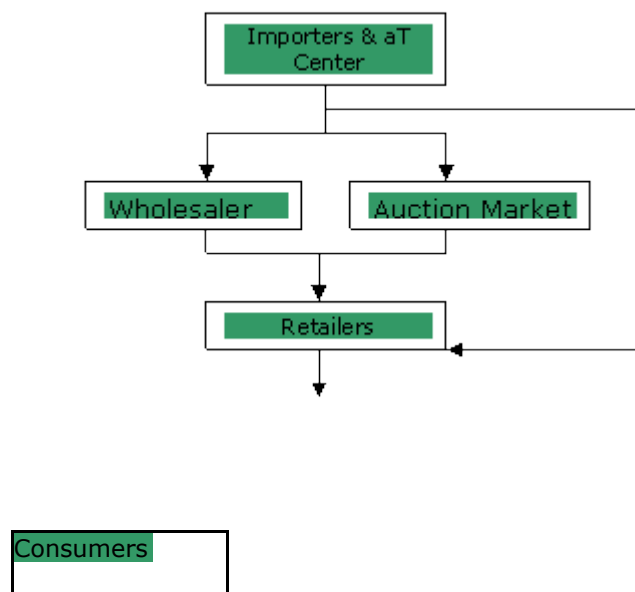
Onion Production, Fresh Import, Export & Total Consumption

Unit: 1,000 Metric Ton (MT)

	Production	Import	Export	Total Consumption
2002	933	0.5	5.7	927.8
2003	745	76.3	0.4	834.5
2004	948	32.1	0.2	979.9
2005	1,023	38.3	0.3	1,061.0
2006	890	37.8	1.6	926.2
2007	1,213	27.3	0.1	1,240.0
2008	1,035	35.9	0.1	1,071.0

Source: Korea Agro-Fisheries Trade Corporation, 2008

Distribution Channel



Onion Consumption Per Capita

Unit: Kilo Gram

	2002	2003	2004	2005	2006	2007	2008
Per Capita Consumption	20.8	17.4	21	21.6	19.7	26.8	22

Source: Estimation by Korea Agro-Fisheries Trade Corporation, 2009

Korea Fresh Onion Import by Year and by Country (HS 0703.10.1000)

Unit: Metric Ton, \$1,000 (CIF)

	2005		2006		2007		2008	
	Value (\$1,000)	Volume (MT)	Value (\$1,000)	Volume (MT)	Value (\$1,000)	Volume (MT)	Value (\$1,000)	Volume (MT)
China (Price per Kilogram)	\$4,890	37,139 (\$0.13 per Kg)	\$12,961	35,535 (\$0.36 per Kg)	\$8,332	25,854 (\$0.32 per Kg)	\$9,190	35,844 (\$0.26 Per Kg)
U.S.A. (Price per Kilogram)	\$190	471 (\$0.40 per Kg)	\$1,179	2,145 (\$0.55 per Kg)	\$582	933 (\$0.62 per Kg)	-	-
Others	\$103	739	\$22	121	\$167	497	\$19	21
Total	\$5,183	38,349	\$14,162	37,801	\$9,081	27,284	\$9,218	35,877

Source: Korea Trade Information Service (KOTIS)

SECTION III: COSTS AND PRICES

The average retail price of onion for consumers in supermarkets is \$1.4 (Korean Won1, 400) per kilo gram but \$0.7 (Korean Won700) per kilo gram for food service and franchise restaurants. Most of locally produced onions are consumed in home and restaurant but imported onions are for food services and franchise restaurants

Current Tariff and Korea-U.S. FTA implemented Tariff

The Korea-U.S. Free Trade Agreement (KORUS FTA) is currently pending in the National Assembly of Korea and the U.S. Congress; it must be ratified by both before it is implemented.

Currently, there are tariff-rate quotas for onions in Korea. Korea imposes 50 percent tariff in quota (20,645 MT quota since 2004) and 135 percent for out of quota. When the Korea-U.S. FTA is implemented, the duties on onions shall be reduced in fifteen equal annual stages beginning on the date the FTA enters into force on the limited quantity as follows, after fifteen year, duty free up to 5,808 MT from a year of sixteen to eighteen with 101 percent tariff over 5,808 MT and shall be duty-free, effective January 1 of year nineteen.

(For specific schedule of tariff elimination please go to <http://www.fta.go.kr/pdf/20081104/eng/2E03.pdf> ANNEX 2-B-TARIFF SCHEDULE OF KOREA (HS0712.20.0000) and <http://www.fta.go.kr/pdf/20081104/eng/2E06.pdf> ANNEX 2-B TARIFF ELIMINATION)

SECTION IV: MARKET ACCESS

The Ministry for Food, Agriculture, Forestry and Fisheries (MIAFF), National Plant Quarantine Service (NPQS) is responsible for preventing the introduction of harmful weeds, pests and diseases originating from imported plants, fruits and vegetables. NPQS conducts pest risk analysis and determines the appropriate eradication methods for detected pests. Onion from U.S. must be accompanied with a phytosanitary certificate issued by USDA/APHIS. For further details on the plant quarantine issues, please contact Local APHIS/PPQ office, and/or APHIS Seoul Office listed in Section V of this report.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

U.S. Agricultural Trade Office

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For more information about the Korean market,

please review the Exporter's Guide (KS9047) and the FAIRS Country Report (KS9039) at gain.
fas.usda.gov/Recent%20GAIN%20Publications/Forms/AllItems.aspx . More Korea specific reports can be found at
<http://www.fas.usda.gov/scripts/AttacheRep/default.asp>.

General information about the Korean Market can be found on the Agricultural Trade Office Website at
<http://www.atoseoul.com/> or about the Foreign Agricultural Service at <http://www.fas.usda.gov/>